

Anchor



State Bank

JAMES R. ECKERT
PRESIDENT AND TRUST OFFICER

July 29, 2008

Gary K. Van Meter, Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Re: Proposed "Rural Community Investment" regulation for farm credit institutions

Dear Mr. Van Meter:

As a community banker from a small town (less than 200 population) in a state with a large rural/agricultural base, I am writing on behalf of our bank in opposition to the Farm Credit Administration's (FCA) proposal that would give "rural community investment" authority to farm credit institutions. Most small community banks in Illinois already face an unlevel playing field when competing against tax-advantaged FCS institutions. Community banks are capable of serving the needs of communities in rural Illinois and in rural America. There is no justification for granting such new powers to FCS institutions, when existing community banks are now serving our rural communities. This proposal is harmful to rural communities and should be withdrawn.

FCS institutions were created by law and were given special tax preferences with the understanding that they would serve the narrow role of providing credit to farmers, ranchers and related agricultural businesses who could not obtain sufficient credit from regular private sector institutions. The FCA does not have the authority to expand FCS institutions' powers beyond those set by Congress. There is no federal law that authorizes farm credit institutions to make debt or equity investments for the general welfare of rural communities.

The proposed regulation seeks to allow farm credit institutions to make investments in rural communities with populations of up to 50,000 people. That population figure is arbitrary, does not necessarily describe a "rural" community, and is subject to expansion in future years completely unrelated to rural policies. Certainly most communities of 25,000 or more inhabitants have sufficient sources of credit already available.

The proposal also leaves open the possibility that investments other than those mentioned in the regulation may be approved for farm credit institutions at the discretion of the FCA. Therefore, the proposal is not "only for specific purposes" as FCA suggests but is quite open-ended going forward. Congress, not the FCA, determines the powers of farm credit institutions. The proposed "rural community investment" authority goes beyond the limits of what Congress has enacted. It is yet another attempt to provide expanded powers for a government-assisted Farm Credit System that will further harm the competitive position of community banks.

For these reasons, I strongly object to the proposed regulation and urge the FCA to withdraw this proposal.

Sincerely,

James R. Eckert